

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on Tuesday 19
September 2006 at 10.30am

PRESENT: A MacNish (Chair)
R W Black
C Gardner
P Taylor

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
W F Magee, Secretary

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Minutes
3.	Remuneration Committee
4.	Audit Committee
5.	Accountable Officers' Report
6.	Realigning our Structure
7.	Budget 2007/8
8.	18 George Street
9.	Revised Procurement Guidance
10.	Policy and Procedures for Leasing Property
11.	Revisions to Audit Scotland's Financial Regulations
12.	Performance and Finance Report
13.	Future Meetings
14.	Valedictory

1. Apologies

Apologies for absence were submitted on behalf of John Baillie and Hugh Hall.

2. Minutes

There were submitted and approved the minutes of meeting of 23 June 2006.

3. Remuneration Committee

With reference to paragraph 2 of the minutes of meeting of the Remuneration Committee of 29 March 2006 it was reported that the national settlement for salaries in local government had been concluded and that the members of Audit Scotland had agreed by correspondence to implement that salary settlement for relevant staff in Audit Scotland with effect from 1 April 2006. Audit Scotland agreed to homologate that decision.

4. Audit Committee

The minutes of meeting of the Audit Committee of 23 June 2006 were submitted and noted.

5. Accountable Officer's Report

There was submitted a report by Robert Black as the Accountable Officer updating the Board on progress in Audit Scotland since its last meeting. The report covered the following areas –

- Business performance
- supporting democratic scrutiny
- maximising the value of audit
- Efficient Government
- Relationship with Parliament
- Review of Scrutiny
- Relationship with other audit agencies
- International.

Audit Scotland noted the report.

6. Realigning our Structure

There was submitted a report by Robert Black referring to the resignation of Hugh Hall as Managing Director on his appointment as Chief Financial Officer at Scottish Enterprise. The report proposed the deletion of the post of Managing Director and the realignment of senior management structures whereby the Deputy Auditor General would assume responsibility for leading both the Performance Audit and Audit Services business groups. This will enable the full implementation of the realignment of the responsibilities of the Director of Audit Services (Health) to encompass central government and would ensure that the responsibilities of Directors in Audit Services and Performance Audit mirror each other. The report further outlined a number of operational changes. The deletion of the Managing Director post will result in a saving of around £150,000 per year which will be partially

offset by costs of acting up and special responsibility allowances for a temporary period.

Following discussion of the proposals with particular reference to the operational changes proposed for the local government portfolio in Audit Services, Audit Scotland agreed to –

- i. approve the deletion of the Managing Director (Audit Services) post;
- ii. approve the restructuring and extended remit for the Deputy Auditor General, and
- iii. note the operational changes outlined in the report.

7. Budget 2007/8

There was submitted a report by the Director of Audit Strategy describing initial work on the 2007/8 financial year budget and making proposals for using the 2005/6 end year flexibility and for 2006/7 and 2007/8 audit year fee increases. The report outlined the principal assumptions used in the construction of the budget and fee proposals, the proposed SCPA funding bid 2007/8 and audit charges and dealt with getting costs and revenues into balance. In discussion a number of points were made –

- A statement on Audit Scotland's VAT position should be included in the SCPA submission
- There is a long term need for a provision for office moves in East Kilbride
- The introduction of ISA standards leads to additional costs in firms because of the need for more documentation and high level testing
- There is separate provision for work on the performance information database and the fixed asset inventory.

Thereafter Audit Scotland agreed –

- i. to approve proposals contained in the report for utilising year end flexibility from 2005/6;
- ii. to apply the unallocated portion of year end flexibility from 2005/6 to reduce fee increases for 2006/7;
- iii. to suggest further consideration be given to the levels of fee reduction in the next two years, and
- iv. otherwise agree the assumptions underlying the budget and the SCPA bid.

8. 18 George Street

There was submitted a report by the Director of Corporate Services updating the Board on progress with the appointment of contractors to refurbish 18 George Street. A tender report from Audit Scotland's quantity surveyors and a report from the project managers were also circulated. In discussion a number of points were made –

- The reports demonstrate a thorough and exhaustive procurement process
- Consideration should be given to a performance bond
- There should be feedback to unsuccessful tenderers
- There need to be clear declarations of any interests by advisers and successful contractors.

Thereafter Audit Scotland agreed –

- i. to approve moving to the next stage in the tender process as proposed in the report, whereby a panel of Audit Scotland officers and advisers will interview two tenderers –
 - Morris & Spottiswood
 - Sharkey
- and
- ii. to authorise completion of the selection of a successful contractor, following interview, by correspondence amongst Board members.

9. Revised Procurement Guidance

There was submitted a report by the Director of Corporate Services referring to a review which had been conducted of Audit Scotland's procurement guidelines. Revised guidelines accompanied the report, taking account of the Scottish Executive's report on public sector procurement and recommendations by Audit Scotland's internal auditors. Audit Scotland approved the procurement guidance as circulated.

10. Policy and Procedures for Leasing Property

There was submitted a report by the Director of Corporate Services setting out a proposed policy for leasing property for Audit Scotland. The policy covers property leased by Audit Scotland for use as its offices and does not cover the leasing of audit rooms on client sites. In discussion a number of points were made –

- The trigger point for financial planning under the lease review procedure is where a lease is due to terminate within 24 months. This period strikes a balance between awareness of need and the appropriate point to consider entering the market
- The threshold for considering disposing of space is set at under utilisation of more than 25%. This is considered to be the point at which sub contracting becomes viable.

Thereafter Audit Scotland approved the policy and procedures for leasing property as circulated with the report.

11. Revisions to Audit Scotland's Financial Regulations

There was submitted a report by the Director of Corporate Services proposing changes to the current Financial Regulations following a review of those regulations to reflect best practice and changes in legislation. Audit Scotland approved the revisions to Financial Regulations as circulated with the report.

12. Performance and Finance Report

There was submitted a report by the Director of Corporate Services updating the Board on Audit Scotland's financial and business performance during the three months to 30 June 2006. Audit Scotland agreed to note the report.

13. Future Meetings

It was agreed to remit to the Chair and Secretary to make arrangements for future Board meetings.

14. Valedictory

The Board congratulated Hugh Hall on his appointment as Chief Financial Officer of Scottish Enterprise and expressed their appreciation of his contribution to the work of Audit Scotland in his role as Managing Director of Audit Services.